

LIVINGSTON COUNTY SCHOOL DISTRICT

BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND INDEPENDENT AUDITOR'S REPORTS

Year ended June 30, 2012

LIVINGSTON COUNTY SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits
and Members of the Board of Education
Livingston County School District
Smithland, Kentucky

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Livingston County School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Livingston County School District's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the provisions of *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract – General Audit Requirements*, *Appendix II to the Independent Auditor's Contract – State Audit Requirements*, *Appendix III to the Independent Auditor's Contract – Audit Extension Request*, and *Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Livingston County School District as of June 30, 2012 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated November 5, 2012, on my consideration of the Livingston County School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 36 through 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Livingston County School District's financial statements taken as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in dark ink, appearing to read "Kim Glan". The signature is written in a cursive, somewhat stylized font.

Benton, Kentucky
November 5, 2012

**LIVINGSTON COUNTY PUBLIC SCHOOL DISTRICT – SMITHLAND, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

As management of the Livingston County School District (District), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning general fund balance for the District was \$190,087 and the ending balance was \$312,487.
- The District had a combined fund balance for all governmental funds on July 1, 2010 of \$1,925,101. The balance decreased to \$957,865 by June 30, 2011 and to \$607,487 by June 30, 2012. The combined revenues for all governmental funds have not changed significantly during the past three fiscal years; however, expenditures have fluctuated and continue to be greater than revenues, particularly during the fiscal year ended June 30, 2011, when expenditures exceeded revenues by approximately \$900,000. The net assets of the proprietary fund increased slightly from \$353,906 at July 1, 2010 to \$354,908 by June 30, 2011, then decreased to \$320,317 by June 30, 2012. The decrease was primarily due to an increase in food and supplies purchased.
- The district remains committed to increasing administration, teacher, and support staff salaries to that comparable of surrounding districts.
- The General Fund had \$9,782,738 in revenue (excluding interfund transfers), which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. Revenues increased from the prior year by about \$400,000, primarily from state funding. Excluding interfund transfers, there was \$9,740,569 in General Fund expenditures. Expenditures decreased from the prior year by about \$700,000, largely in the areas of district administration, plant operations and maintenance, and student transportation.
- The district has organized a new Missions and Visions Committee to revise these individual statements for the district.
- The District experienced a mid-year reduction in SEEK payments from the state.
- There were no significant changes in any of the individual funds affecting the availability of fund resources for future use.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements. The District’s basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District’s finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District’s assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

**LIVINGSTON COUNTY PUBLIC SCHOOL DISTRICT – SMITHLAND, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

The statement of activities presents information showing how the District’s net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Taxes and intergovernmental revenues also support fixed assets and related debt.

The government-wide financial statements can be found on pages 8 and 9 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary fund is our food service operations. All other activities of the district are included in the governmental funds.

The basic fund financial statements can be found on pages 10 through 18 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 through 35 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets exceeded liabilities by \$6,933,227 as of June 30, 2012. The largest portion of the District’s net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment, and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District’s financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**LIVINGSTON COUNTY PUBLIC SCHOOL DISTRICT – SMITHLAND, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

	Net Assets for the period ending	
	June 30, 2012	June 30, 2011
Current Assets	\$ 1,023,073	\$ 1,662,895
Noncurrent Assets	14,304,441	14,411,715
Other Assets	<u>78,232</u>	<u>53,278</u>
Total Assets	<u>\$15,405,746</u>	<u>\$16,127,888</u>
Current Liabilities	\$ 909,277	\$ 1,159,932
Noncurrent Liabilities	<u>7,563,242</u>	<u>8,275,406</u>
Total Liabilities	<u>\$ 8,472,519</u>	<u>\$ 9,435,338</u>
Net Assets		
Investment in capital assets (net of debt)	\$ 6,170,376	\$ 5,461,715
Restricted	539,307	695,529
Unreserved Fund Balance	<u>223,544</u>	<u>535,306</u>
Total Net Assets	<u>\$ 6,933,227</u>	<u>\$ 6,692,550</u>

Comments on Budget Comparisons

- There were no significant variations between the original and final budget amounts.
- The District’s total general fund revenues for the fiscal year ended June 30, 2012, net of interfund transfers, were \$9,782,738.
- General fund budgeted revenues compared to actual revenue varied slightly from line item to line item with the actual revenues (excluding on behalf revenues, which are not budgeted) being \$59,161 more than budget, with most of the difference attributable to higher total local taxes than budgeted.
- The total cost of all general fund programs and services was \$9,740,569 net of debt service and construction costs.
- General fund budgeted expenditures (excluding contingency) compared to actual expenditures also varied slightly from line item to line item with the actual expenditures (excluding on behalf expenditures, which are not budgeted) being \$1,023,686 less than budget. The largest differences from budgeted amounts were in the functions for instruction (\$680,000 less than budget), district administration (\$260,000 less than budget) and school administration (\$96,000 less than budget).
- The Kentucky Department of Education makes certain payments on behalf of the District, including certain pension plan payments, health and life insurance premium payments, and administrative fees. These payments have been recorded on the Statement of Activities by functional expense and as operating grants from the State and totaled \$2,077,243. The revenue and related expense for these on behalf payments are not required to be budgeted.

The following table presents a summary of revenue and expense for the fiscal year ended June 30, 2012, compared to the fiscal year ended June 30, 2011.

**LIVINGSTON COUNTY PUBLIC SCHOOL DISTRICT – SMITHLAND, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

	June 30, 2012	June 30, 2011
Program Revenues:		
Charges for Services – Food Service	\$ 259,113	\$ 231,301
Charges for Services – Governmental	11,013	0
Operating grants – Governmental	4,575,769	4,710,713
Operating grants – Food Service	577,622	494,783
Capital grants	<u>613,130</u>	<u>569,738</u>
Total program revenues	<u>6,036,647</u>	<u>6,006,535</u>
General Revenues:		
Taxes	4,082,425	4,116,436
Earnings on investments	5,371	12,155
State and formula grants	3,945,405	3,902,551
Miscellaneous	<u>1</u>	<u>29,529</u>
Total general revenues	<u>8,033,202</u>	<u>8,060,671</u>
Expenses:		
Instruction	7,966,260	8,137,510
Student support services	314,021	316,161
Instructional support	554,142	569,064
District administration	391,702	877,105
School administration	678,878	763,786
Business support	247,542	186,713
Plant operations	1,432,620	1,501,100
Student transportation	956,337	843,163
Community services	85,703	86,813
Interest on long-term debt	318,849	399,743
Food service operation	872,578	814,582
Loss on disposal of fixed assets	1,960	45,109
Other	<u>8,581</u>	<u>4,820</u>
Total expenses	<u>13,829,173</u>	<u>14,545,669</u>
Change in net assets	240,676	(478,463)
Beginning net assets	<u>6,692,551</u>	<u>7,171,013</u>
Ending net assets	<u>\$ 6,933,227</u>	<u>\$ 6,692,550</u>

General Fund

The main sources of the General Fund’s revenues are state aid in the form of SEEK allocations and locally assessed taxes. Total state funding accounted for 61.7% of General Fund revenues, followed by local taxes at 38.1%, and all other revenues at .2%. The majority of the District’s activities are accounted for in the General Fund.

The largest category of General Fund expenditures was for instruction (59.2%), followed by plant operations and maintenance (10.6%), student transportation (7.7%), school administration services (6.9%), instructional staff support services (5.5%), district administration support services (4.3%), student support services (3.2%), and business support services (2.6%).

**LIVINGSTON COUNTY PUBLIC SCHOOL DISTRICT – SMITHLAND, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

Special Revenue Fund

The Special Revenue Fund consists of grant revenues, mostly state funds and federal funds administered through the state and expenditures of those grants for specific programs in accordance with the grants' guidelines. These grants include Title I, No Child Left Behind Funding, Preschool, Special Education funding, and others. These funds have restricted use, according to the guidelines for each. Expenses include salaries and benefits, supplies, and transportation. Livingston County Public Schools received federal grants in the amount of \$1,673,331 and state grants in the amount of \$639,635.

Capital Project Funds

The SEEK Capital Outlay Fund and the FSPK Building Fund are restricted funds for capital projects or debt service. The District has used those funds for debt service payments. The state contributes to those funds. The SEEK Capital Outlay Fund's revenues are derived from state SEEK allowances based upon student enrollment. The FSPK Building Fund's revenues are produced by a five-cent special property tax assessment and matching state funds. The use of both funds' resources is generally restricted to facilities acquisition or improvement and payment of the related debt on facilities. The Construction Fund is used to account for facility construction and improvement projects funded by other funds or borrowing.

Debt Service Funds

The Debt Service Fund is used to account for all activities related to long-term bond obligations.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2012, the District had \$14,304,441 invested in land, buildings, and equipment. Of that amount, \$14,199,419 is in governmental activities.

See Note E for a breakdown of additions by class on page 28.

Debt Administration

The District had \$8,815,000 in bonds payable outstanding on June 30, 2012. A total of \$765,000 is due within one year.

See Note F on pages 29-30 for a detailed list of bonds payable.

BUDGETARY IMPLICATIONS

In Kentucky, the public school fiscal year is July 1-June 30; other programs, i.e. some federal operate on a different fiscal calendar, but are reflected in the district overall budget. By law, the budget must have a minimum 2% contingency. The district adopted a total budget of \$9,204,269, and a contingency of \$490,053 which is 5.3%. The beginning fund balance for the fiscal year was \$190,087.

Questions regarding this report should be directed to the Superintendent Darryl Chittenden, PO Box 219, 127 East Adair Street, Smithland, KY 42081.

LIVINGSTON COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2012

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 138,387	\$ 203,142	\$ 341,529
Accounts receivable:			
Taxes - current	102,699	0	102,699
Taxes - delinquent	27,378	0	27,378
Accounts receivable	126,065	0	126,065
Intergovernmental - state	5,938	0	5,938
Intergovernmental - indirect federal	391,731	0	391,731
Inventory	0	27,733	27,733
Total current assets	<u>792,198</u>	<u>230,875</u>	<u>1,023,073</u>
Noncurrent Assets:			
Capital assets	23,215,087	444,409	23,659,496
Less: Accumulated depreciation	<u>(9,015,668)</u>	<u>(339,387)</u>	<u>(9,355,055)</u>
Total noncurrent assets	<u>14,199,419</u>	<u>105,022</u>	<u>14,304,441</u>
Other Assets:			
Unamortized bond issue costs	78,232	0	78,232
Total other assets	<u>78,232</u>	<u>0</u>	<u>78,232</u>
TOTAL ASSETS	<u><u>\$ 15,069,849</u></u>	<u><u>\$ 335,897</u></u>	<u><u>\$ 15,405,746</u></u>
LIABILITIES :			
Current Liabilities:			
Accounts payable	\$ 103,956	\$ 15	\$ 103,971
Deferred revenue	61,991	0	61,991
Current portion of bond obligations	765,000	0	765,000
Plus: Current portion of bond premium	5,619	0	5,619
Less: Current portion of unamortized bond discount	(9,743)	0	(9,743)
Less: Current portion of deferred loss on early debt retirement	(54,629)	0	(54,629)
Current portion of accrued sick leave	18,764	0	18,764
Interest payable	18,304	0	18,304
Total current liabilities	<u>909,262</u>	<u>15</u>	<u>909,277</u>
Noncurrent Liabilities:			
Noncurrent portion of bond obligations	8,050,000	0	8,050,000
Plus: Noncurrent portion of unamortized bond premium	61,806	0	61,806
Less: Noncurrent portion of unamortized bond discount	(26,576)	0	(26,576)
Less: Noncurrent portion of deferred loss on early debt retirement	(597,484)	0	(597,484)
Noncurrent portion of accrued sick leave	59,931	15,565	75,496
Total noncurrent liabilities	<u>7,547,677</u>	<u>15,565</u>	<u>7,563,242</u>
TOTAL LIABILITIES	<u><u>\$ 8,456,939</u></u>	<u><u>15,580</u></u>	<u><u>\$ 8,472,519</u></u>
NET ASSETS:			
Invested in capital assets, net of related debt	\$ 6,065,354	\$ 105,022	\$ 6,170,376
Restricted for:			
Capital Projects	295,943	0	295,943
Debt service	2	0	2
Food service	0	215,295	215,295
SBDM carryover	28,067	0	28,067
Unrestricted	223,544	0	223,544
TOTAL NET ASSETS	<u><u>\$ 6,612,910</u></u>	<u><u>\$ 320,317</u></u>	<u><u>\$ 6,933,227</u></u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business- Type Activities	Total
FUNCTIONS/PROGRAMS							
Governmental Activities:							
Instruction	\$ 7,966,260	\$ 11,013	\$ 3,642,564	\$ 613,130	\$ (3,699,553)	\$ 0	\$ (3,699,553)
Support Services:							
Student	314,021	0	102,550	0	(211,471)	0	(211,471)
Instructional Staff	554,142	0	104,741	0	(449,401)	0	(449,401)
District Administration	391,702	0	62,137	0	(329,565)	0	(329,565)
School Administration	678,878	0	151,216	0	(527,662)	0	(527,662)
Business	247,542	0	73,372	0	(174,170)	0	(174,170)
Plant operations and maintenance	1,432,620	0	53,884	0	(1,378,736)	0	(1,378,736)
Student transportation	956,337	0	148,546	0	(807,791)	0	(807,791)
Community service activities	85,703	0	85,452	0	(251)	0	(251)
Loss on disposal of fixed assets	1,960	0	0	0	(1,960)	0	(1,960)
Interest on long-term debt	318,849	0	151,307	0	(167,542)	0	(167,542)
Other debt service	8,581	0	0	0	(8,581)	0	(8,581)
Total governmental activities	12,956,595	11,013	4,575,769	613,130	(7,756,683)	0	(7,756,683)
Business-Type Activities:							
Food service	872,578	259,113	577,622	0	0	(35,843)	(35,843)
Total business-type activities	872,578	259,113	577,622	0	0	(35,843)	(35,843)
Total primary government	\$ 13,829,173	\$ 270,126	\$ 5,153,391	\$ 613,130	(7,756,683)	(35,843)	(7,792,526)
General Revenues:							
Taxes:							
Property					2,072,371	0	2,072,371
Motor Vehicle					474,883	0	474,883
Utilities					541,880	0	541,880
In Lieu of					993,291	0	993,291
Earnings on Investments					4,119	1,252	5,371
State and formula grants					3,945,405	0	3,945,405
Miscellaneous					1	0	1
Change in net assets					275,267	(34,591)	240,676
Net assets at July 1, 2011, as restated					6,337,643	354,908	6,692,551
Net assets at June 30, 2012					\$ 6,612,910	\$ 320,317	\$ 6,933,227

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	General Fund	Special Revenue Fund	FSPK Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS AND RESOURCES:						
Cash and cash equivalents	\$ 133,932	\$ (321,887)	\$ 266,276	\$ 30,397	\$ 29,669	\$ 138,387
Accounts receivable:						
Taxes - current	102,699	0	0	0	0	102,699
Taxes - delinquent	27,378	0	0	0	0	27,378
Accounts receivable	126,065	0	0	0	0	126,065
Intergovernmental - state	5,850	88	0	0	0	5,938
Intergovernmental - indirect federal	5,569	386,162	0	0	0	391,731
TOTAL ASSETS AND RESOURCES	<u>\$ 401,493</u>	<u>\$ 64,363</u>	<u>\$ 266,276</u>	<u>\$ 30,397</u>	<u>\$ 29,669</u>	<u>\$ 792,198</u>
LIABILITIES AND FUND BALANCE:						
LIABILITIES:						
Accounts payable	\$ 70,242	\$ 2,372	\$ 0	\$ 31,342	\$ 0	\$ 103,956
Deferred revenue	0	61,991	0	0	0	61,991
Current portion of accrued sick leave	18,764	0	0	0	0	18,764
TOTAL LIABILITIES	<u>89,006</u>	<u>64,363</u>	<u>0</u>	<u>31,342</u>	<u>0</u>	<u>184,711</u>
FUND BALANCES:						
Restricted:						
Construction projects	0	0	266,276	0	29,667	295,943
Debt service	0	0	0	0	2	2
Committed:						
SBDM carryforward	28,067	0	0	0	0	28,067
Unassigned	284,420	0	0	(945)	0	283,475
TOTAL FUND BALANCES	<u>312,487</u>	<u>0</u>	<u>266,276</u>	<u>(945)</u>	<u>29,669</u>	<u>607,487</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 401,493</u>	<u>\$ 64,363</u>	<u>\$ 266,276</u>	<u>\$ 30,397</u>	<u>\$ 29,669</u>	<u>\$ 792,198</u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
 FUNDS TO THE STATEMENT OF NET ASSETS**

June 30, 2012

Total fund balance per fund financial statements		\$ 607,487
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Cost	23,215,087	
Accumulated depreciation	<u>(9,015,668)</u>	14,199,419
Deferred charges including debt issue costs are amortized in the governmental activities, but were recognized in full in the governmental funds.		
		78,232
Certain liabilities including interest payable are not reported in this fund financial statement because they are not due and payable, but they are presented in the statement of net assets.		
		(18,304)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bond and lease obligations	(8,193,993)	
Accrued sick leave payable	<u>(59,931)</u>	<u>(8,253,924)</u>
Net assets for governmental activities		<u><u>\$ 6,612,910</u></u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

	General Fund	Special Revenue Fund	FSPK Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:						
From Local Sources:						
Taxes:						
Property	\$ 1,734,920	\$ 0	\$ 337,451	\$ 0	\$ 0	\$ 2,072,371
Motor Vehicle	474,883	0	0	0	0	474,883
Utilities	541,880	0	0	0	0	541,880
In Lieu of	975,589	0	0	0	0	975,589
Tuition	145	0	0	0	0	145
Earnings on Investments	4,102	203	0	0	17	4,322
Other local revenues	1	34,050	0	0	0	34,051
Intergovernmental - State	6,040,350	639,635	76,139	0	683,424	7,439,548
Intergovernmental - indirect federal	10,868	1,673,331	0	0	0	1,684,199
TOTAL REVENUES	9,782,738	2,347,219	413,590	0	683,441	13,226,988
EXPENDITURES:						
Current:						
Instruction	5,767,869	2,192,118	0	0	0	7,959,987
Support Services:						
Student	311,869	0	0	0	0	311,869
Instructional Staff	546,058	2,191	0	0	0	548,249
District Administration	416,679	0	0	0	0	416,679
School Administration	670,076	0	0	0	0	670,076
Business	237,209	0	0	0	0	237,209
Plant operations and maintenance	1,034,712	0	0	0	0	1,034,712
Student transportation	756,097	94,662	0	0	0	850,759
Community service activities	0	85,452	0	0	0	85,452
Facilities acquisition and construction	0	0	0	475,472	0	475,472
Debt service	0	0	0	0	990,083	990,083
TOTAL EXPENDITURES	9,740,569	2,374,423	0	475,472	990,083	13,580,547
Excess (deficit) of revenues over expenditures	42,169	(27,204)	413,590	(475,472)	(306,642)	(353,559)
OTHER FINANCING SOURCES (USES):						
Proceeds of revenue refunding bonds	0	0	0	0	6,370,000	6,370,000
Payment to refunded bond escrow agent	0	0	0	0	(6,382,512)	(6,382,512)
Payment of bond issue costs	0	0	0	0	(57,350)	(57,350)
Premium on bonds sold	0	0	0	0	73,043	73,043
Operating transfers in	107,435	27,204	359,142	138,627	417,165	1,049,573
Operating transfers out	(27,204)	0	(464,746)	(503)	(557,120)	(1,049,573)
TOTAL OTHER FINANCING SOURCES (USES)	80,231	27,204	(105,604)	138,124	(136,774)	3,181
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	122,400	0	307,986	(337,348)	(443,416)	(350,378)
Fund Balance, July 1, 2011, as restated	190,087	0	(41,710)	336,403	473,085	957,865
Fund Balance, June 30, 2012	\$ 312,487	\$ 0	\$ 266,276	\$ (945)	\$ 29,669	\$ 607,487

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES**
 For the Year Ended June 30, 2012

Net change in total fund balances per fund financial statements \$ (350,378)

Amounts reported for governmental activities in the statement of activities
 are different because:

Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays for the year.

Depreciation expense	(679,920)	
Capital outlays	590,227	(89,693)

Gross proceeds from the sale of capital assets are reported as revenue in the governmental funds because they provide current financial resources. However, in the statement of activities, the undepreciated cost of those assets is deducted from the proceeds to report gain or loss on the sale.

Loss on the disposal of fixed assets		(1,960)
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Bond proceeds are reported as financing sources in governmental funds and, thus, contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Bond proceeds	(6,370,000)	
Principal paid	6,505,000	135,000

Governmental funds report the effect of issuance costs and discounts when debt is first issued; whereas, these amounts are deferred and amortized in the statement of activities.

Bond issuance costs deferred on new bond issue	57,350	
Bond premium deferred on new bond issue	(73,044)	
Deferred loss on early retirement of debt	706,741	
Bond issuance costs on defeased portion of debt	(27,938)	
Bond discount on defeased portion of debt	(86,290)	
Amortization of deferred bond issuance costs and discounts	(14,200)	
Amortization of bond premium	5,619	
Amortization of deferred loss on early retirement of debt	(54,628)	513,610

Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.

These net differences are as follows:

Interest payable	10,862	
Accrued sick leave	57,826	68,688

Change in net assets of governmental activities		\$ 275,267
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See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2012

	Food Service Fund
ASSETS:	
Current Assets	
Cash and cash equivalents	\$ 203,142
Inventory	27,733
Total current assets	<u>230,875</u>
Noncurrent Assets	
Capital assets	444,409
Less: accumulated depreciation	<u>(339,387)</u>
Total noncurrent assets	<u>105,022</u>
TOTAL ASSETS	<u><u>\$ 335,897</u></u>
LIABILITIES:	
Current Liabilities	
Accounts payable	\$ 15
Total current liabilities	<u>15</u>
Noncurrent Liabilities	
Noncurrent portion of accrued sick leave	<u>15,565</u>
Total noncurrent liabilities	<u>15,565</u>
TOTAL LIABILITIES	<u><u>\$ 15,580</u></u>
Net Assets	
Invested in capital assets, net of related debt	\$ 105,022
Nonspendable - inventories	27,733
Restricted for food service	<u>187,562</u>
Total net assets	<u><u>\$ 320,317</u></u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS

For the Year Ended June 30, 2012

	Food Service Fund
	<hr/>
Operating Revenues:	
Lunchroom sales	\$ 254,149
Other operating revenues	4,964
	<hr/>
Total operating revenues	259,113
	<hr/>
Operating Expenses:	
Salaries and benefits	427,364
Contract services	22,164
Materials and supplies	400,417
Depreciation	19,633
Expendable equipment	98
Other operating expenses	2,902
	<hr/>
Total operating expenses	872,578
	<hr/>
Operating income (loss)	(613,465)
	<hr/>
Non-Operating Revenues (Expenses):	
Federal grants	466,902
Donated commodities	48,735
State grants	61,985
Interest income	1,252
	<hr/>
Total non-operating revenues	578,874
	<hr/>
Change in net assets	(34,591)
	<hr/>
Net Assets, July 1, 2011	354,908
	<hr/>
Net Assets, June 30, 2012	\$ 320,317
	<hr/> <hr/>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2012

	Food Service Fund
Cash Flows from Operating Activities:	
Cash received from:	
Lunchroom sales	\$ 270,346
Other operating revenues	4,964
Cash paid to/for:	
Employees	(357,915)
Contract services	(22,149)
Materials and supplies	(362,628)
Expendable equipment	(98)
Other operating expenses	(2,902)
Net cash provided by (used in) operating activities	<u>(470,382)</u>
Cash Flows from Non-Capital Financing Activities:	
Operating grants received	475,003
Net cash provided by (used in) non-capital financing activities	<u>475,003</u>
Cash Flows from Capital and Related Financing Activities:	
Purchases of capital assets	(4,012)
Net cash provided by (used in) capital and related financing activities	<u>(4,012)</u>
Cash Flows from Investing Activities:	
Interest income received	1,252
Net cash provided by (used in) investing activities	<u>1,252</u>
Net increase (decrease) in cash and cash equivalents	1,861
Cash and cash equivalents, July 1, 2011	<u>201,281</u>
Cash and cash equivalents, June 30, 2012	<u><u>\$ 203,142</u></u>
Reconciliation of operating income (loss)	
to net cash provided by (used in) operating activities:	
Operating income (loss)	\$ (613,465)
Adjustments to reconcile operating income (loss) to	
net cash provided by (used in) operating activities:	
Depreciation	19,633
On-behalf payments received	53,884
Commodities used	48,735
Changes in assets and liabilities:	
Accounts receivable	16,197
Inventory	1,520
Accounts payable	(12,451)
Accrued sick leave	15,565
Net cash provided by operating activities	<u><u>\$ (470,382)</u></u>
Non-Cash Investing, Capital, and Financing Activities:	
Food commodities received	\$ 48,735
On-behalf payments for benefits	53,884
Total Non-Cash Investing, Capital, and Financing Activities	<u><u>\$ 102,619</u></u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2012

	Private Purpose Trust Funds	Agency Fund
	<u> </u>	<u> </u>
ASSETS:		
Cash and cash equivalents	\$ 145,859	\$ 146,659
Accounts receivable	<u>0</u>	<u>742</u>
Total Assets	<u><u>\$ 145,859</u></u>	<u><u>\$ 147,401</u></u>
 LIABILITIES:		
Accounts payable	\$ 0	\$ 9,361
Due to student groups	<u>0</u>	<u>138,040</u>
Total Liabilities	<u><u>\$ 0</u></u>	<u><u>\$ 147,401</u></u>
 NET ASSETS HELD IN TRUST	<u><u>\$ 145,859</u></u>	<u><u>\$ 0</u></u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended June 30, 2012

	Private Purpose Trust Funds
	<u> </u>
Additions:	
Interest income	<u>\$ 7,368</u>
Total Additions	<u>7,368</u>
 Deductions:	
Benefits paid	<u>4,050</u>
Total Deductions	<u>4,050</u>
Change in net assets	3,318
Net assets, July 1, 2011	<u>142,541</u>
Net assets, June 30, 2012	<u><u>\$ 145,859</u></u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
Year ended June 30, 2012

NOTE A – REPORTING ENTITY

The Livingston County Board of Education ("Board"), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Livingston County School District ("District"). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards because board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and activities relevant to the operation of the Livingston County School District. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the District itself such as Band Boosters, Parent-Teacher Associations, etc. The District is not involved in budgeting or managing these organizations, and is not responsible for any debt of the organizations, nor has any influence over the operation of the organizations.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding, and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Livingston County School District Finance Corporation – In 1989, the Board of Education resolved to authorize the establishment of the Livingston County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The board members of the Livingston County Board of Education also comprise the Corporation's Board of Directors.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The most significant of the District's accounting policies are described below.

Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2012

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basis of Presentation - continued

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District. The District does not allocate indirect expenses.

Fund Financial Statements – The financial transactions of the District are reported in individual funds in the fund financial statements, each of which is considered to be a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current liabilities, and fund balances, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of revenues, expenses and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The fiduciary funds are reported using the economic resources measurement focus.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2012

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Accounting

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is always classified as a major fund of the District per GASB 34.
- (B) The Special Revenue (Grant) Fund accounts for proceeds of specific revenue sources, such as grants, donations, or gifts (other than expendable trusts or major capital projects) that are legally restricted or committed to expenditure for specified purposes other than debt service or capital projects. It includes state, federal and private grants where unused balances are returned to the grantor at the close of the specified project periods. Project accounting codes are employed to distinguish specific revenue sources and expenditures. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on page 46. This is a major fund of the District.
- (C) Capital Project Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets (other than those financed by Proprietary Funds). Common sources of revenue to these funds are the capital outlay allotment, building fund tax levies, technology allotment and sale of bonds.
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds (unless authorized for retention in the General Fund) and is restricted for use in financing projects identified in the District's facility plan.
 - 2. The Facility Support Program of Kentucky (FSPK) Fund accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan. This is a major fund of the District.
 - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- (D) The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

II. Proprietary Fund Types (Enterprise Fund)

The Food Service Fund (Enterprise) is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). An amount of \$48,735 has been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund of the District.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2012

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Accounting – continued

III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

- (A) Agency funds account for assets held by the District in a purely custodial capacity. Since Agency Funds are custodial in nature (i.e., assets equal liabilities), they do not involve the measurement of results of operations. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. These activity funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.
- (B) The Private Purpose Trust Funds are used to report trust arrangements under which principal and income benefit individuals, such as scholarships.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means resources are expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net assets as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2012

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property Taxes

Property taxes are levied each October on the assessed value listed as of the prior January 1, for all real and personal property within the School District. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending thirty days after the tax bill mailing. Property taxes collected are recorded as revenues in the fund for which they were levied.

The property tax rates assessed for the year ended June 30, 2012, to finance operations were \$.386 per \$100 valuation for real property, \$.386 per \$100 valuation for business personal property and \$.384 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for revenues and expenses on the same basis as the actual financial statements, which is Generally Accepted Accounting Principles (GAAP).

Once the budget is approved, it can be amended. Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of ninety days or less, to be cash equivalents.

Inventories

The only inventory maintained by the District consists of expendable supplies held for consumption and is accounted for in the proprietary (food service) fund. Inventory consists of purchased food and donated commodities and is expensed when used. The purchased food is stated at cost and donated commodity inventory is stated at estimated value on date of receipt, with both types using the first-in, first-out method.

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2012 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed. There were no prepaid items at June 30, 2012.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2012

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Debt Costs

Unamortized debt issuance costs in the amount of \$78,232, unamortized discounts of \$36,319, and unamortized premiums of \$67,425 are included in the government-wide statements. Each of these items is amortized over the lives of the related debt issues using the straight-line method.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. At its July, 2012 meeting, the Board approved a change to its Equipment and Assets policy in order to follow guidelines developed by the Kentucky Department of Education in its latest update on January 25, 2012. Prior to the adoption of the new guidelines, the District maintained a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there was no threshold. The new guidelines establish a capitalization threshold of \$5,000 for real or personal property. Larger thresholds apply to buildings and building improvements and leasehold improvements. The District does not possess any infrastructure. Improvements to land and to buildings in excess of established thresholds are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both governmental and business-type capital assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2012

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accumulated Unpaid Sick Leave Benefits

For those employees who qualify, the District has adopted the policy of providing at retirement a percentage of their accumulated unused sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's past experience of making termination payments and the age and current pay rates of eligible employees.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid sick leave is the amount expected to be paid using expendable available resources. These amounts, when applicable, are recorded in the account "current portion of accrued sick leave" in the general fund. The noncurrent portion of the liability is not reported.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as liabilities in the fund financial statements until due.

Fund Balance Classifications

Nonspendable fund balances are amounts that are not in a spendable form (such as prepaid expenses or inventories) or are required to be maintained intact.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed fund balances are those amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority which, for the District, is the Board of Education. The Board of Education must approve by majority vote the establishment (and modification or rescinding) of a fund balance commitment.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2012

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund Balance Classifications (Continued)

Assigned fund balances are those amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Education allows the program supervisors to complete purchase orders which result in the encumbrance of funds. Assigned fund balance also includes (a) all remaining amounts, except negative balances, that are reported in governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the general fund that are intended to be used for a specific purpose.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The District considers restricted amounts to have been spent first when expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available. The District does not have a policy regarding the use of unrestricted fund balance amounts. Therefore, the default order is used which considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions or ancillary activities.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Interfund transfers between funds of the same type are eliminated in the government-wide statements. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2012

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Subsequent Events

In preparing these financial statements, management has evaluated other events and transactions for potential recognition or disclosure through November 5, 2012, the date the financial statements were available to be issued.

NOTE C – ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE D – CASH AND CASH EQUIVALENTS

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to KRS 160.570 and 702 KAR 3:090. The depository bank deposits for safekeeping and trust with the District's third party agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Kentucky Revised Statutes authorize the Board to invest in direct obligations of the United States government, obligations backed by the full faith and credit of the United States government, certificates of deposit or other interest bearing accounts issued by any bank or saving and loan institution provided that such investment is insured by the FDIC or guaranteed by the pledge of direct United States Government obligations, bonds issued by the Commonwealth of Kentucky or one of its agencies and instrumentalities, securities issued by any state or local government of the United States rated in one of the three highest categories by a nationally recognized rating agency, certain mutual funds, commercial paper rated in the highest category by a nationally recognized rating agency, or bankers' acceptance for banks rated in one of the three highest categories by a nationally recognized rating agency. The District has no investment policy that would further limit its investment choices.

At year-end, the carrying amount of the District's cash and cash equivalents was \$654,047. The bank balance was \$992,674. Of the bank balance, \$252,003 was covered by federal depository insurance and the remaining balance was subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The remaining balance of \$740,671 was uninsured and collateralized with securities held by the pledging banks' agent, in the District's name.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2012

Note E - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

Governmental Activities	Balance July 1, 2011	Additions	Retirements	Balance June 30, 2012
Capital Assets:				
Land	\$ 265,984	\$ 0	\$ 0	\$ 265,984
Land improvements	796,055	0	1,921	794,134
Buildings and improvements	17,691,548	25,000	0	17,716,548
Technology equipment	1,263,005	76,800	22,393	1,317,412
Vehicles	2,190,982	0	21,536	2,169,446
General Equipment	468,406	13,011	5,270	476,147
Construction	0	475,416	0	475,416
Totals at historical cost	<u>22,675,980</u>	<u>590,227</u>	<u>51,120</u>	<u>23,215,087</u>
Less: Accumulated depreciation				
Land improvements	420,935	30,051	1,921	449,065
Buildings and improvements	5,337,700	358,644	0	5,696,344
Technology equipment	836,669	146,276	20,433	962,512
Vehicles	1,505,545	118,327	21,536	1,602,336
General Equipment	284,059	26,622	5,270	305,411
Total accumulated depreciation	<u>8,384,908</u>	<u>679,920</u>	<u>49,160</u>	<u>9,015,668</u>
Governmental Activities Capital Assets - Net	<u><u>\$ 14,291,072</u></u>	<u><u>\$ (89,693)</u></u>	<u><u>\$ 1,960</u></u>	<u><u>\$ 14,199,419</u></u>
Business-Type Activities				
Capital Assets:				
Technology equipment	\$ 1,056	\$ 4,012	\$ 0	\$ 5,068
General Equipment	440,711	0	1,370	439,341
Totals at historical cost	<u>441,767</u>	<u>4,012</u>	<u>1,370</u>	<u>444,409</u>
Less: Accumulated depreciation				
Technology equipment	203	522	0	725
General Equipment	320,921	19,111	1,370	338,662
Total accumulated depreciation	<u>321,124</u>	<u>19,633</u>	<u>1,370</u>	<u>339,387</u>
Business-Type Activities Capital Assets - Net	<u><u>\$ 120,643</u></u>	<u><u>\$ (15,621)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 105,022</u></u>

Depreciation expense was charged to governmental functions as follows:

Instructional	\$ 114,136
Student support services	2,152
Instructional staff support services	5,893
District administration	32,849
School administrative support	8,802
Business support	10,333
Plant operation and maintenance	398,877
Student transportation	106,627
Community services	251
Total depreciation expense	<u><u>\$ 679,920</u></u>

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2012

NOTE F – BONDED DEBT AND CAPITAL LEASE OBLIGATIONS

The amount shown in the accompanying government-wide financial statements as bond obligations represent the District's future obligations to make lease payments related to school building revenue bonds issued by the Livingston County School District Finance Corporation on behalf of the District for purposes of school facility construction. These amounts are not reflected on the fund financial statements.

The District, through the General Fund, SEEK Capital Outlay Fund and the Facility Support Program Levy Fund is obligated to make lease payments. The lease agreements provide, among other things, for rentals sufficient to satisfy debt service requirements on bonds issued by the Livingston County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding. Upon completion of such payments, the leased premises should become the property of the District. The District is obligated to maintain adequate property insurance on the school facilities, and the school facilities have been pledged as security to the holders of the bonds.

The original amount of each issue, the issue date, and interest rates are summarized below:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
2003	\$ 805,000	2.700% - 4.000%
2004	9,090,000	2.000% - 4.800%
2009R	1,300,000	2.000% - 3.000%
2012R	6,370,000	1.000% - 2.500%

In 1987 the District entered into a "participation agreement" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school boards in meeting school construction needs. The table on the following page sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

On February 21, 2012, the Board issued \$6,370,000 of School Building Revenue Refunding Bonds to advance refund a portion of the outstanding 2003 School Building Revenue bonds that are scheduled to mature on or after June 1, 2013 and a portion of the outstanding 2004 School Building Revenue bonds that are scheduled to mature on or after June 1, 2014. The liabilities for the defeased bonds are not included in the District's financial statements. On June 30, 2012, \$5,790,000 of bonds outstanding is considered defeased. The advance refunding reduced debt service payments over the next thirteen years by \$579,598, with a net present value savings of 10.067% on the 2003 issue and 8.949% on the 2004 issue. This results in an economic gain (the difference between the present value of the old and the new debt service payments) of \$526,161. In the Statement of Net Assets, the net costs associated with the early retirement of the issues are deferred and amortized over the lesser of the original remaining life of the old bonds or the life of the new bonds, which is thirteen years for the portion relating to the 2003 issue and twelve years for the portion relating to the 2004 issue. The amount deferred is reported as a decrease to the book value of the new debt issued to finance the refunding. Total deferred costs were \$706,741. Amortization for the year was \$54,628 and is included as a component of interest expense.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2012 for debt service (principal and interest) are as follows:

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2012

NOTE F – BONDED DEBT AND CAPITAL LEASE OBLIGATIONS – CONTINUED

Year	Livingston County School District		Kentucky School Facility Construction Commission		Total
	Principal	Interest	Principal	Interest	
2012-2013	\$ 317,929	\$ 96,986	\$ 447,071	\$ 122,667	\$ 984,653
2013-2014	334,217	86,843	460,783	108,955	990,798
2014-2015	336,777	75,609	368,223	94,038	874,647
2015-2016	342,883	63,793	382,117	80,144	868,937
2016-2017	355,241	55,786	389,759	72,502	873,288
2017-2018	362,445	47,431	397,555	64,707	872,138
2018-2019	369,494	38,932	405,506	56,755	870,687
2019-2020	386,384	30,242	413,616	48,645	878,887
2020-2021	398,112	22,515	421,888	40,373	882,888
2021-2022	403,621	13,557	431,379	30,880	879,437
2022-2023	198,913	4,476	441,087	21,174	665,650
2023-2024	0	0	450,000	11,250	461,250
	<u>\$ 3,806,016</u>	<u>\$ 536,170</u>	<u>\$ 5,008,984</u>	<u>\$ 752,090</u>	<u>\$ 10,103,260</u>

Interest incurred and charged to expense for fiscal year ended June 30, 2012 was \$318,849.

A summary of changes in long-term debt is as follows:

Type	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012
Bonds payable	\$ 8,950,000	\$ 6,370,000	\$ 6,505,000	\$ 8,815,000
Non-current portion of sick leave	117,757	11,454	69,280	59,931
Totals	<u>\$ 9,067,757</u>	<u>\$ 6,381,454</u>	<u>\$ 6,574,280</u>	<u>\$ 8,874,931</u>

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2012

NOTE G – RETIREMENT PLANS

Plan Descriptions

The Livingston County School District contributes to the Teachers' Retirement System of Kentucky (KTRS) and the County Employee's Retirement System (CERS), both cost-sharing, multiple employer defined benefit pension plans. Certified employees are covered under KTRS and substantially all other employees (classified employees) are covered under CERS. Both plans administer retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by Kentucky Department of Education (KDE). Job classifications that permit experience to substitute for either of these requirements do not participate in KTRS.

The Kentucky Revised Statutes provided for the establishment of both systems and benefit amendments are authorized by the State legislature. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). Each plan issues a publicly available financial report that includes financial statements and required supplementary information for that plan. The KTRS report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601 or from the KTRS website at <http://www.ktrs.ky.gov/>. The CERS report can be obtained by writing to Kentucky Employee's Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601.

Funding Policy

Contribution rates are established by KRS. Plan members of KTRS who established an account in a state retirement system before July 2008 are required to contribute 10.355% of their salaries to KTRS. Members after July 1, 2008 contribute an additional .5%. The Commonwealth of Kentucky is required to contribute 13.605% of salaries for members in a state retirement system before July 1, 2008 and 14.105% of salaries for members who started their account after July 1, 2008. The federal program for any salaries paid by that program pays the matching contributions. Plan members of CERS are required to contribute 5% of their annual covered salary, and the Livingston County School District provides a contribution of 18.96% of that salary. For employees hired on September 1, 2008, or thereafter, an additional 1% must be contributed to a health insurance account.

Medical Insurance Plan

Plan description – In addition to the pension benefits described above, Kentucky Revised Statute 161.675 requires KTRS to provide access to post-employment healthcare benefits to eligible members and dependents. The KTRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

Funding policy – In order to fund the post-employment healthcare, active member contributions are matched by the state at .75% of members' gross salaries. Those who became members before July 1, 2008 contribute 1.25% of salary to the plan. Member contributions are 1.75% of salary for those who became members after July 1, 2008. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan. Additionally, under the Shared Responsibility Plan, the local school district employers pay .5% of members' salary for the 2011-2012 fiscal year.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2012

NOTE G – RETIREMENT PLANS – CONTINUED

The Livingston County School District's total payroll for the year was \$7,941,630. The payroll for employees covered under KTRS was \$5,932,093 and for CERS was \$1,845,419. For the year ended June 30, 2012, the Commonwealth contributed \$724,120 to KTRS for the benefit of participating employees. The District's contributions to KTRS for the year ended June 30, 2012, was \$62,464, which represents those employees covered by federal programs. The contribution requirement and the amount contributed to CERS for the year ended June 30, 2012 was \$444,564 which consisted of \$348,520 from the Board and \$96,044 from the employees. The contributions required and paid to CERS for the years ended June 30, 2011 and 2010 were \$305,156 and \$283,970 respectively.

The District also offers employees the option to participate in a defined contribution plan under Section 403(B), 401(K) and 457 of the Internal Revenue Code. All regular full-time and part-time employees are eligible to participate and may contribute up to the maximum amount allowable by law. The District does not contribute to these plans.

NOTE H – BENEFITS FUNDED BY KENTUCKY STATE DEPARTMENT OF EDUCATION

The Kentucky Department of Education has indicated the following amounts were contributed on-behalf of the District for the year ended June 30, 2012:

Contributions to Kentucky Teachers' Retirement System	\$ 724,120
Technology	59,901
Health insurance, life insurance, flexible spending accounts (includes administrative fee)	<u>1,347,106</u>
Total	<u>\$ 2,131,127</u>

These payments are recorded in the General and Food Service Funds as revenues and expenditures. The District is not legally responsible for these contributions. These payments are not required to be budgeted by the District.

On-behalf contributions were charged to governmental functions as follows:

Instruction	\$ 1,477,650
Support services:	
Student	102,550
Instructional staff	102,550
District administration	62,137
School administration	151,216
Business	73,372
Plant operations and maintenance	53,884
Student transportation	53,884
Food services	<u>53,884</u>
Total	<u>\$ 2,131,127</u>

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2012

NOTE I – COMMITMENTS AND CONTINGENCIES

Grant Contingencies

The District receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

NOTE J – INSURANCE AND RELATED ACTIVITIES

The Livingston County School District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies, which are retrospectively rated which include workers' compensation insurance.

NOTE K – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. This public entity risk pool operates as a common risk management and insurance program for all school boards and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to the fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the members on a pro rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE L – COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the District at risk for a substantial loss (contingency).

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2012

NOTE M – COMMITMENTS FOR SCHOOL CONSTRUCTION

The District approved an agreement to repair the slope behind the high school. The amount of the contract was \$409,302. A change order added \$19,716, bringing the total to \$429,018. As of the balance sheet date, \$349,641 had been completed and is included in the statement of net assets as construction in progress.

The District also approved an agreement for an architect for major renovations at the high school. The amount of the contract was \$217,500. As of the balance sheet date, \$106,575 had been completed and is included in the statement of net assets as construction in progress.

NOTE N – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The District had one fund with a deficit fund balance at June 30, 2012, the Construction Fund with a deficit of \$945. The General Fund had \$1,513,739 less in expenditures than appropriations when excluding on-behalf payments of \$2,077,243 which are not required to be budgeted.

NOTE O – TRANSFER OF FUNDS

The following transfers were made during the year:

<u>Type</u>	<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Matching	General	Special Revenue	Technology Match	\$ 27,204
Operating	Capital Outlay	Construction	Construction	75,946
Operating	Capital Outlay	Debt Service	Debt Service	122,032
Operating	Building	Debt Service	Debt Service	295,133
Operating	Building	General	Capital spending	107,435
Operating	Building	Construction	Construction	62,178
Operating	Debt Service	Building	Reimburse overpayment	359,142
Operating	Construction	Construction	Transfer to new project	503

NOTE P – INTERFUND RECEIVABLES AND PAYABLES

There were no interfund balances at June 30, 2012.

LIVINGSTON COUNTY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended June 30, 2012

NOTE Q – PRIOR PERIOD ADJUSTMENTS

The cash in the general fund on the audited financial statements for the year ended June 30, 2011 was incorrect. The bank account had not been reconciled and proper adjustments to cash were not made, causing cash to be overstated by \$71,955. Also, some fixed assets were purchased in the prior year, but not tagged properly until the current year. The beginning fund balance for the general fund on the Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds and the beginning net assets for governmental activities on the Statement of Activities have been restated to correct the opening balances as follows:

	Fund Balance	Net Assets
June 30, 2011 balance per prior year audit	\$ 262,042	\$6,401,584
Trust Fund certificate of deposit was cashed and deposited to checking; the amount was recorded as revenue in the General Fund in error and included in General Fund cash, while also being included in the Trust Fund cash total. This caused revenue in the prior year to be overstated.	(1,034)	(1,034)
When closing out Special Revenue Fund projects that were overspent, cash was increased in the Special Revenue Fund to cover the excess; however cash was not decreased in the General Fund. This caused expenditures to be understated in the prior year.	(11,127)	(11,127)
The remaining difference in cash appears to have been caused by payroll tax liability payments that were recorded in June. These payments did not clear the bank until July; however, they were not recorded as outstanding checks when arriving at the adjustment that was made to cash. This caused expenditures to be understated in the prior year.	(59,794)	(59,794)
Fixed assets purchased in prior year, but not tagged until the current year. This caused fixed assets in the prior year to be understated.	0	7,584
Land was depreciated in error in the prior year. This caused fixed assets in the prior year to be understated.	<u>0</u>	<u>430</u>
June 30, 2011 balance as restated	<u><u>\$ 190,087</u></u>	<u><u>\$6,337,643</u></u>

Also, the fund balance for one scholarship account (Ledbetter SBDM) was listed as \$(169) in the prior year audit report, whereas, the correct balance should have been \$(166).

Also, the cash balance, as well as the fund balance for South Livingston Elementary School was listed as \$29,199 in the prior year audit report. The correct balance was \$28,536. The reason for the difference is unknown.

The cash balance, as well as the fund balance for Livingston Central High School was listed as \$93,313 in the prior year audit report. The detail listed on the combining statement of receipts, disbursements, and due to student groups – school activity funds actually totaled \$90,682. The correct balance should have been \$90,757. The difference in the detail listing total to the correct balance was on the line item for Family and Consumer Science, which was listed as zero fund balance, but should have been \$75. The reason for the difference is unknown.

REQUIRED SUPPLEMENTARY INFORMATION

LIVINGSTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES:				
From Local Sources:				
Taxes:				
Property	\$ 2,103,500	\$ 2,103,500	\$ 1,734,920	\$ (368,580)
Motor Vehicle	300,000	300,000	474,883	174,883
Utilities	295,000	295,000	541,880	246,880
In Lieu of	975,000	975,000	975,589	589
Tuition	400	400	145	(255)
Earnings on Investments	11,000	11,000	4,102	(6,898)
Other local revenues	0	(32,900)	1	32,901
Intergovernmental - State	4,101,769	4,101,769	6,040,350	1,938,581
Intergovernmental - indirect federal	0	0	10,868	10,868
TOTAL REVENUES	7,786,669	7,753,769	9,782,738	2,028,969
EXPENDITURES:				
Current:				
Instruction	4,975,754	4,970,469	5,767,869	(797,400)
Support Services:				
Student	266,379	266,939	311,869	(44,930)
Instructional Staff	399,715	404,995	546,058	(141,063)
District Administration	615,244	617,744	416,679	201,065
School Administration	615,047	615,367	670,076	(54,709)
Business	224,142	214,167	237,209	(23,042)
Plant operations and maintenance	914,737	913,437	1,034,712	(121,275)
Student transportation	736,098	711,098	756,097	(44,999)
Contingency	490,053	490,053	0	490,053
TOTAL EXPENDITURES	9,237,169	9,204,269	9,740,569	(536,300)
Excess (deficit) of revenues over expenditures	(1,450,500)	(1,450,500)	42,169	1,492,669
OTHER FINANCING SOURCES (USES):				
Operating transfers in	0	0	107,435	107,435
Operating transfers out	0	0	(27,204)	(27,204)
TOTAL OTHER FINANCING SOURCES (USES)	0	0	80,231	80,231
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	(1,450,500)	(1,450,500)	122,400	1,572,900
Fund Balance, July 1, 2011	1,450,500	1,450,500	190,087	(1,260,413)
Fund Balance, June 30, 2012	\$ 0	\$ 0	\$ 312,487	\$ 312,487

See independent auditor's report and accompanying notes to financial statements

NOTE: The on-behalf payments of \$2,077,243 from the state are included in both revenues and expenditures in the actual column;
however, this amount was not required to be included in the budget.

LIVINGSTON COUNTY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
For the Year Ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES:				
From Local Sources:				
Earnings on Investments	\$ 0	\$ 0	\$ 203	\$ 203
Other local revenues	6,094	30,791	34,050	3,259
Intergovernmental - State	535,224	620,706	639,635	18,929
Intergovernmental - Indirect federal	695,102	1,010,772	1,673,331	662,559
TOTAL REVENUES	<u>1,236,420</u>	<u>1,662,269</u>	<u>2,347,219</u>	<u>684,950</u>
EXPENDITURES:				
Current:				
Instruction	1,086,931	1,515,366	2,192,118	(676,752)
Support Services:				
Instructional Staff	5,185	0	2,191	(2,191)
Student transportation	63,250	67,250	94,662	(27,412)
Community service activities	81,054	79,653	85,452	(5,799)
TOTAL EXPENDITURES	<u>1,236,420</u>	<u>1,662,269</u>	<u>2,374,423</u>	<u>(712,154)</u>
Excess (deficit) of revenues over expenditures	<u>0</u>	<u>0</u>	<u>(27,204)</u>	<u>(27,204)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	<u>0</u>	<u>0</u>	<u>27,204</u>	<u>27,204</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>0</u>	<u>0</u>	<u>27,204</u>	<u>27,204</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, July 1, 2011	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance, June 30, 2012	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

See independent auditor's report and accompanying notes to financial statements

OTHER SUPPLEMENTARY INFORMATION

LIVINGSTON COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012

	SEEK Capital Outlay Fund	Debt Service Fund	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS AND RESOURCES:			
Cash and cash equivalents	\$ 29,667	\$ 2	\$ 29,669
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS AND RESOURCES	<u>\$ 29,667</u>	<u>\$ 2</u>	<u>\$ 29,669</u>
	<u> </u>	<u> </u>	<u> </u>
LIABILITIES AND FUND BALANCE:			
LIABILITIES:			
Accounts payable	\$ 0	\$ 0	\$ 0
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>0</u>	<u>0</u>	<u>0</u>
	<u> </u>	<u> </u>	<u> </u>
EQUITY AND FUND BALANCES:			
Restricted:			
Construction projects	29,667	0	29,667
Debt service	0	2	2
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>29,667</u>	<u>2</u>	<u>29,669</u>
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 29,667</u>	<u>\$ 2</u>	<u>\$ 29,669</u>
	<u> </u>	<u> </u>	<u> </u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

	SEEK Capital Outlay Fund	Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES:			
From Local Sources:			
Earnings on Investments	\$ 0	\$ 17	\$ 17
Intergovernmental - State	113,686	569,738	683,424
TOTAL REVENUES	<u>113,686</u>	<u>569,755</u>	<u>683,441</u>
EXPENDITURES:			
Debt service	0	990,083	990,083
TOTAL EXPENDITURES	<u>0</u>	<u>990,083</u>	<u>990,083</u>
Excess (deficit) of revenues over expenditures	<u>113,686</u>	<u>(420,328)</u>	<u>(306,642)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	0	417,165	417,165
Operating transfers out	(197,978)	(359,142)	(557,120)
Proceeds of revenue refund bonds	0	6,370,000	6,370,000
Payment to refunded bond escrow agent	0	(6,382,512)	(6,382,512)
Payment of bond issue costs	0	(57,350)	(57,350)
Premium on bonds sold	0	73,043	73,043
TOTAL OTHER FINANCING SOURCES (USES)	<u>(197,978)</u>	<u>61,204</u>	<u>(136,774)</u>
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	<u>(84,292)</u>	<u>(359,124)</u>	<u>(443,416)</u>
Fund Balance, July 1, 2011	113,959	359,126	473,085
Fund Balance, June 30, 2012	<u>\$ 29,667</u>	<u>\$ 2</u>	<u>\$ 29,669</u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**
DEBT SERVICE FUNDS
For the Year Ended June 30, 2012

	2003 BONDS FUND	2004 BONDS FUND	2009R BONDS FUND	2012 BONDS FUND	Totals Debt service Fund
REVENUES:					
From local sources:					
Earnings on investments	\$ 0	\$ 16	\$ 1	\$ 0	\$ 17
Intergovernmental - State	0	385,772	107,476	76,490	569,738
TOTAL REVENUES	0	385,788	107,477	76,490	569,755
EXPENDITURES:					
Debt Service:					
Principal	10,000	440,000	210,000	55,000	715,000
Interest	15,187	190,738	32,175	36,983	275,083
TOTAL EXPENDITURES	25,187	630,738	242,175	91,983	990,083
Excess (deficit) of revenues over expenditures	(25,187)	(244,950)	(134,698)	(15,493)	(420,328)
OTHER FINANCING SOURCES (USES):					
Operating transfers in	25,187	244,966	134,698	12,314	417,165
Operating transfers out	0	(359,142)	0	0	(359,142)
Proceeds of revenue refund bonds	0	0	0	6,370,000	6,370,000
Payment to refunded bond escrow agent	0	0	0	(6,382,512)	(6,382,512)
Payment of bond issue costs	0	0	0	(57,350)	(57,350)
Premium on bonds sold	0	0	0	73,043	73,043
TOTAL OTHER FINANCING SOURCES (USES)	25,187	(114,176)	134,698	15,495	61,204
Excess (deficit) of revenues and other financing sources over expenditures and other financing uses	0	(359,126)	0	2	(359,124)
Fund balance July 1, 2011	0	359,126	0	0	359,126
Fund balance June 30, 2012	\$ 0	\$ 0	\$ 0	\$ 2	\$ 2

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET--ALL ACTIVITY FUNDS
June 30, 2012

	North Livingston Elementary	South Livingston Elementary	Livingston County Middle School	Livingston County High School	Totals (Memorandum Only)
ASSETS:					
Cash and cash equivalents	\$ 15,861	\$ 41,028	\$ 21,314	\$ 68,456	\$ 146,659
Accounts Receivable	<u>0</u>	<u>393</u>	<u>0</u>	<u>349</u>	<u>742</u>
 TOTAL ASSETS	 <u>\$ 15,861</u>	 <u>\$ 41,421</u>	 <u>\$ 21,314</u>	 <u>\$ 68,805</u>	 <u>\$ 147,401</u>
LIABILITIES:					
Accounts Payable	\$ 875	\$ 5,741	\$ 200	\$ 2,545	\$ 9,361
Due to Student Groups	<u>14,986</u>	<u>35,680</u>	<u>21,114</u>	<u>66,260</u>	<u>138,040</u>
TOTAL LIABILITIES	<u>\$ 15,861</u>	<u>\$ 41,421</u>	<u>\$ 21,314</u>	<u>\$ 68,805</u>	<u>\$ 147,401</u>
 NET ASSETS HELD IN TRUST	 <u>\$ 0</u>	 <u>\$ 0</u>	 <u>\$ 0</u>	 <u>\$ 0</u>	 <u>\$ 0</u>

See independent auditor's report and accompanying notes to financial statements

**LIVINGSTON COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN DUE TO STUDENT GROUPS
ALL ACTIVITY FUNDS**

For the Year Ended June 30, 2012

	North Livingston Elementary	South Livingston Elementary	Livingston County Middle School	Livingston County High School	Totals (Memorandum only)
REVENUES:					
From local sources:					
Earnings on Investments	\$ 70	\$ 136	\$ 116	\$ 377	\$ 699
Student activities	48,530	78,174	36,991	243,243	406,938
Total Revenues	48,600	78,310	37,107	243,620	407,637
EXPENDITURES					
Student Activities	48,022	71,166	43,559	268,117	430,864
Total expenditures	48,022	71,166	43,559	268,117	430,864
Excess (deficit) of revenues over expenditures	578	7,144	(6,452)	(24,497)	(23,227)
Due to student groups, July 1, 2011	14,408	28,536	27,566	90,757	161,267
Due to student groups, June 30, 2012	<u>\$ 14,986</u>	<u>\$ 35,680</u>	<u>\$ 21,114</u>	<u>\$ 66,260</u>	<u>\$ 138,040</u>

See independent auditor's report and accompanying notes to financial statements

LIVINGSTON COUNTY HIGH SCHOOL - ALL FUNDS COMBINED

STATEMENT OF RECEIPTS, DISBURSEMENTS & DUE TO

For the Year Ended June 30, 2012

	Cash Balance	Receipts		Disbursements	
	July 1, 2011	Actual	Budget	Actual	Budget
District Tournament	\$ 1,629.98	\$ 0.00	\$ 10,150.00	\$ 1,629.98	\$ 8,520.00
Girls Regional	791.40	40.00	16,455.00	831.40	15,664.00
Volleyball	0.00	654.33	0.00	654.33	0.00
General Fund	7,383.33	47,492.73	2,450.00	48,193.67	6,500.00
Student Emergency	346.90	235.00	0.00	0.00	0.00
Class "A" Girls Tournament	0.00	745.00	0.00	745.00	0.00
Friends of Rachel	68.00	0.00	0.00	0.00	0.00
Textbook	18,889.85	12,910.00	12,000.00	12,380.58	20,000.00
Student Incentives	358.00	0.00	0.00	0.00	0.00
Donations	6,102.57	22,354.28	6,884.00	27,702.34	5,205.00
Staff Account	864.48	2,216.16	1,500.00	2,423.19	1,400.00
FEA	0.00	400.00	0.00	0.00	0.00
Class "A" Boys Tournament	0.00	1,175.00	0.00	1,175.00	0.00
Art Club	1,070.22	0.00	500.00	0.00	700.00
Beta Club	1,548.66	185.00	1,010.00	90.00	560.00
FBLA	174.26	6,330.28	3,700.00	6,221.26	4,500.00
FCA	373.52	356.00	200.00	521.93	120.00
FCCLA	94.00	0.00	0.00	0.00	78.00
FFA	3,312.91	12,372.80	7,500.00	14,591.19	7,500.00
Science Club	1,162.74	2,596.50	296.00	3,054.07	547.00
TLC	304.28	351.00	400.00	172.00	488.00
Spirit Club	173.01	950.00	900.00	1,109.00	800.00
Student Council	985.65	813.00	1,105.00	476.06	1,075.00
Skills USA	0.57	0.00	1,200.00	0.00	2,900.00
Spanish Club	721.14	514.25	834.52	580.85	833.00
Agriculture	2.78	0.00	1,000.00	0.00	1,000.00
Choir & Music	854.25	1,590.00	200.00	1,010.40	854.25
Drama	56.80	0.00	0.00	0.00	0.00
Photography Club	44.00	0.00	0.00	0.00	0.00
STLP	234.00	2,468.00	300.00	830.08	394.00
Diesel Mechanics	337.91	0.00	0.00	0.00	0.00
Family & Consumer Science	75.00	665.99	75.00	0.00	75.00
Signs	888.80	1,155.00	500.00	1,226.98	1,300.00
Math	2,119.64	0.00	1,950.00	264.66	1,950.00
Technology Education	197.23	1,434.12	1,809.00	1,531.81	2,157.00
NSSP	720.87	0.00	350.00	0.00	475.00
Welding	215.22	0.00	0.00	0.00	617.00
Athletics	9,815.10	50,691.88	20,000.00	46,433.73	16,000.00
Cheerleaders	5,484.36	14,313.61	17,333.00	17,772.96	12,034.00
Yearbook	9,496.58	24,785.50	34,000.00	34,174.04	36,000.00
Concessions	11,040.47	13,184.22	14,000.00	24,224.69	10,000.00
Baseball	0.00	5,861.14	0.00	5,861.14	0.00
Scholarship Account	100.00	0.00	0.00	0.00	0.00
Softball	0.00	9,201.66	0.00	9,201.66	0.00
Boys Basketball	0.00	16,541.42	0.00	15,903.39	0.00
Track	0.00	1,649.01	0.00	1,649.01	0.00
Girls Basketball	0.00	6,489.10	0.00	4,931.71	0.00
Class of 2011	88.42	0.00	0.00	88.42	0.00
Class of 2012	2,630.52	1,077.00	720.00	2,535.52	1,819.00
Class of 2013	0.00	8,641.64	7,358.00	4,549.67	4,727.00
Subtotal	90,757.42	272,440.62	166,679.52	294,741.72	166,792.25
Less: Interfund Transfers	0.00	29,169.47	0.00	29,169.47	0.00
Total	<u>\$ 90,757.42</u>	<u>\$ 243,271.15</u>	<u>\$ 166,679.52</u>	<u>\$ 265,572.25</u>	<u>\$ 166,792.25</u>

See independent auditor's report and accompanying notes to financial statements

	Cash Balance June 30, 2012	Accounts Receivable	Accounts Payable	Due to June 30, 2012
District Tournament	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Girls Regional	0.00	0.00	0.00	0.00
Volleyball	0.00	0.00	0.00	0.00
General Fund	6,682.39	289.16	1,060.64	5,910.91
Student Emergency	581.90	0.00	0.00	581.90
Class "A" Girls Tournament	0.00	0.00	0.00	0.00
Friends of Rachel	68.00	0.00	0.00	68.00
Textbook	19,419.27	0.00	0.00	19,419.27
Student Incentives	358.00	0.00	0.00	358.00
Donations	754.51	0.00	0.00	754.51
Staff Account	657.45	0.00	0.00	657.45
FEA	400.00	0.00	0.00	400.00
Class "A" Boys Tournament	0.00	0.00	0.00	0.00
Art Club	1,070.22	0.00	0.00	1,070.22
Beta Club	1,643.66	0.00	0.00	1,643.66
FBLA	283.28	0.00	93.05	190.23
FCA	207.59	0.00	0.00	207.59
FCCLA	94.00	0.00	0.00	94.00
FFA	1,094.52	0.00	1,094.52	0.00
Science Club	705.17	0.00	0.00	705.17
TLC	483.28	0.00	0.00	483.28
Spirit Club	14.01	0.00	0.00	14.01
Student Council	1,322.59	0.00	0.00	1,322.59
Skills USA	0.57	0.00	0.00	0.57
Spanish Club	654.54	0.00	0.00	654.54
Agriculture	2.78	0.00	0.00	2.78
Choir & Music	1,433.85	0.00	249.46	1,184.39
Drama	56.80	0.00	0.00	56.80
Photography Club	44.00	0.00	0.00	44.00
STLP	1,871.92	0.00	0.00	1,871.92
Diesel Mechanics	337.91	0.00	0.00	337.91
Family & Consumer Science	740.99	0.00	0.00	740.99
Signs	816.82	0.00	0.00	816.82
Math	1,854.98	0.00	0.00	1,854.98
Technology Education	99.54	0.00	0.00	99.54
NSSP	720.87	0.00	0.00	720.87
Welding	215.22	0.00	0.00	215.22
Athletics	14,073.25	0.00	46.87	14,026.38
Cheerleaders	2,025.01	0.00	0.00	2,025.01
Yearbook	108.04	60.00	0.00	168.04
Concessions	0.00	0.00	0.00	0.00
Baseball	0.00	0.00	0.00	0.00
Scholarship Account	100.00	0.00	0.00	100.00
Softball	0.00	0.00	0.00	0.00
Boys Basketball	638.03	0.00	0.00	638.03
Track	0.00	0.00	0.00	0.00
Girls Basketball	1,557.39	0.00	0.00	1,557.39
Class of 2011	0.00	0.00	0.00	0.00
Class of 2012	1,172.00	0.00	0.00	1,172.00
Class of 2013	4,091.97	0.00	0.00	4,091.97
Subtotal	68,456.32	349.16	2,544.54	66,260.94
Less:Interfund Transfers	0.00	0.00	0.00	0.00
Total	\$ 68,456.32	\$ 349.16	\$ 2,544.54	\$ 66,260.94

LIVINGSTON COUNTY SCHOOL DISTRICT
COMBINING BALANCE SHEET-ALL PRIVATE PURPOSE TRUST FUNDS
June 30, 2012

	<u>Dallas & Emma Maxfield</u>	<u>Mamie T. Ferguson</u>	<u>William F. Miller</u>	<u>Ashley Boone</u>	<u>George & Opal Pullen</u>
ASSETS:					
Cash and cash equivalents	<u>\$ 66,803</u>	<u>\$ 14</u>	<u>\$ 735</u>	<u>\$ 410</u>	<u>\$ 18,116</u>
 TOTAL ASSETS	 <u><u>\$ 66,803</u></u>	 <u><u>\$ 14</u></u>	 <u><u>\$ 735</u></u>	 <u><u>\$ 410</u></u>	 <u><u>\$ 18,116</u></u>
 NET ASSETS HELD IN TRUST	 <u><u>\$ 66,803</u></u>	 <u><u>\$ 14</u></u>	 <u><u>\$ 735</u></u>	 <u><u>\$ 410</u></u>	 <u><u>\$ 18,116</u></u>

See independent auditor's report and accompanying notes to financial statements

<u>Robert & Margaret Shelby</u>	<u>Lillian Boswell</u>	<u>Ledbetter SBDM</u>	<u>Totals (Memorandum Only)</u>
<u>\$ 55,473</u>	<u>\$ 4,474</u>	<u>\$ (166)</u>	<u>\$ 145,859</u>
<u><u>\$ 55,473</u></u>	<u><u>\$ 4,474</u></u>	<u><u>\$ (166)</u></u>	<u><u>\$ 145,859</u></u>
<u><u>\$ 55,473</u></u>	<u><u>\$ 4,474</u></u>	<u><u>\$ (166)</u></u>	<u><u>\$ 145,859</u></u>

LIVINGSTON COUNTY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS HELD IN TRUST
ALL PRIVATE PURPOSE TRUST FUNDS
For the Year Ended June 30, 2012

	Dallas & Emma Maxfield	Mamie T. Ferguson	William F. Miller	Ashley Boone	George & Opal Pullen
REVENUES:					
From local sources:					
Earnings on Investments	\$ 3,408	\$ 0	\$ 0	\$ 0	\$ 939
Total Revenues	3,408	0	0	0	939
EXPENDITURES					
Scholarships paid	1,000	0	250	0	250
Total expenditures	1,000	0	250	0	250
Excess (deficit) of revenues over expenditures	2,408	0	(250)	0	689
Net Assets Held in Trust at July 1, 2011	64,395	14	985	410	17,427
Net Assets Held in Trust at June 30, 2012	<u>\$ 66,803</u>	<u>\$ 14</u>	<u>\$ 735</u>	<u>\$ 410</u>	<u>\$ 18,116</u>

See independent auditor's report and accompanying notes to financial statements

Robert & Margaret Shelby	Lillian Boswell	Ledbetter SBDM	Totals (Memorandum Only)
<u>\$ 3,017</u>	<u>\$ 4</u>	<u>\$ 0</u>	<u>\$ 7,368</u>
<u>3,017</u>	<u>4</u>	<u>0</u>	<u>7,368</u>
<u>2,250</u>	<u>300</u>	<u>0</u>	<u>4,050</u>
<u>2,250</u>	<u>300</u>	<u>0</u>	<u>4,050</u>
767	(296)	0	3,318
54,706	4,770	(166)	142,541
<u><u>\$ 55,473</u></u>	<u><u>\$ 4,474</u></u>	<u><u>\$ (166)</u></u>	<u><u>\$ 145,859</u></u>

REPORTS REQUIRED BY THE SINGLE AUDIT ACT

LIVINGSTON COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantor's Number	Federal Expenditures
<u>U.S. Department of Education:</u>			
Passed Through State Dept. of Education:			
Special Education Grants to States	84.027	381000210 & 11	\$ 289,978
Special Education Preschool Grants	84.173	380000210 & 11	17,122
ARRA - Special Education Preschool Grants	84.392	480000209	1,879
Total Special Education Cluster			<u>308,979</u>
 Title I Grants to Local Educational Agencies	 84.010	 310000210 & 11, 310020209 & 10	 396,852
 ARRA - School Improvement Grant	 84.388	 410030209	 112,517
Improving Teacher Quality State Grants	84.367	323000211	72,945
Rural Education	84.358	314000211	13,184
Career and Technical Education Basic Grants to States	84.048	462123211, 462103209, 462113210	15,686
Twenty-First Century Community Learning Centers	84.287	340000209 & 10, 340000109	634,255
Education Jobs Fund	84.410	EJOB00	114,763
 TOTAL U.S. DEPARTMENT OF EDUCATION			 <u>1,669,181</u>
<u>U.S. Department of Health and Human Services:</u>			
Passed Through State Dept. of Education:			
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	200000111	<u>3,000</u>
 TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			 <u>3,000</u>
<u>Corporation for National and Community Service:</u>			
Passed through State Dept. of Education:			
Learn and Serve America School and Community Based Programs	94.004	100000110	<u>1,150</u>
 TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			 <u>1,150</u>
<u>U.S. Department of Agriculture:</u>			
Passed through State Dept. of Education:			
National School Lunch Program - cash	10.555	775000211 & 12	326,582
National School Lunch Program - donated foods (Note B)	10.555	775000211 & 12	48,735
School Breakfast Program	10.553	776000511 & 12	139,844
Summer Food Service Program for Children	10.559	769002411 & 12, 774002311 & 12	476
Total Child Nutrition Cluster			<u>515,637</u>
 TOTAL U.S. DEPARTMENT OF AGRICULTURE			 <u>515,637</u>
 TOTAL FEDERAL ASSISTANCE			 <u>\$ 2,188,968</u>

See accompanying notes to schedule
of expenditures of federal awards

LIVINGSTON COUNTY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2012

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Livingston County School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. Per USDA instructions, commodities expended are recorded at an amount equal to commodities received and the inventory at June 30, 2012 is combined with purchased food inventory.

NOTE C – RECONCILIATION OF SCHEDULE TO FINANCIAL STATEMENTS

The following is a reconciliation of the total in the schedule of expenditures of federal awards to the total federal revenue included in the statement of revenues, expenditures and changes in fund balances – governmental funds on page 12 of the audit report and in the statement of revenues, expenses, and changes in net assets – proprietary funds on page 15 of the audit report:

Total intergovernmental – indirect federal from page 12	\$ 1,684,199
Total federal grants from page 15	466,902
Donated commodities from page 15	48,735
Less: Medicaid funds received	<u>(10,868)</u>
Total on page 46	<u><u>\$ 2,188,968</u></u>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Kentucky State Committee for School District Audits
and Members of the Board of Education
Livingston County School District
Smithland, Kentucky

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Livingston County School District as of and for the year ended June 30, 2012, which collectively comprise the Livingston County School District's basic financial statements and have issued my report thereon dated November 5, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the provisions of *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract – General Audit Requirements*, *Appendix II to the Independent Auditor's Contract – State Audit Requirements*, *Appendix III to the Independent Auditor's Contract – Audit Extension Request* and *Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*.

Internal Control Over Financial Reporting

Management of the Livingston County School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered the Livingston County School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Livingston County School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Livingston County School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs identified as reference numbers 2012-01 and 2012-02 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Livingston County School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. In addition, the results of my tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in Appendix II to the Independent Auditor's Contract – State Audit Requirements.

I noted certain matters that I reported to management of the Livingston County School District in a separate letter dated November 5, 2012.

Livingston County School District's response to the findings identified in my audit is described in the accompanying Schedule of Findings and Questioned Costs. I did not audit Livingston County School District's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of members of the Kentucky State Committee for School District Audits, the members of the Board of Education of Livingston County School District, the Kentucky Department of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Kim Glavin". The signature is written in a cursive, flowing style.

Benton, Kentucky
November 5, 2012

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Kentucky State Committee for School District Audits
and Members of the Board of Education
Livingston County School District
Smithland, Kentucky

Compliance

I have audited Livingston County School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Livingston County School District's major federal programs for the year ended June 30, 2012. Livingston County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Livingston County School District's management. My responsibility is to express an opinion on Livingston County School District's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the audit requirements prescribed by the Kentucky State Committee for School District Audits in *Appendix I to the Independent Auditor's Contract – General Audit Requirements*, *Appendix II to the Independent Auditor's Contract – State Audit Requirements*, *Appendix III to the Independent Auditor's Contract – Audit Extension Request* and *Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Livingston County School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Livingston County School District's compliance with those requirements.

In my opinion, Livingston County School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

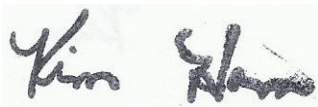
Internal Control Over Compliance

Management of Livingston County School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Livingston County School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Livingston County School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of members of the Kentucky State Committee for School District Audits, the members of the Board of Education of Livingston County School District, the Kentucky Department of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Kim Glan". The signature is written in a cursive, flowing style.

Benton, Kentucky
November 5, 2012

**LIVINGSTON COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012**

I. SUMMARY OF AUDITOR'S RESULTS:

1. The auditor's report expresses an unqualified opinion on the financial statements of the Livingston County School District.
2. Two significant deficiencies in internal control over financial reporting were disclosed during the audit of the financial statements and are reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. Both conditions are also reported as material weaknesses.
3. No instances of noncompliance material to the financial statements of Livingston County School District were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit.
5. The auditor's report on compliance for the major federal award programs for Livingston County School District expresses an unqualified opinion on all major federal programs.
6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 relative to the major federal award programs for Livingston County School District.

7. The programs tested as major programs included:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Title I Grants to Local Educational Agencies	84.010
ARRA, School Improvement Grant	84.388
Twenty-First Century Community Learning Centers	84.287

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Livingston County School District did not qualify as a low-risk auditee.

**LIVINGSTON COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
For the Year Ended June 30, 2012**

II. FINDINGS – FINANCIAL STATEMENT AUDIT

Significant Deficiencies, which are also Material Weaknesses:

2012-01. Bank Reconciliations

Statement of Finding (Condition): Bank reconciliations were not completed properly on a monthly basis. Large reconciling items were not investigated.

Criteria: Generally accepted accounting principles require a consistent, timely and accurate reconciliation of cash.

Cause and Effect: The District assigned an employee who is independent of all other cash functions to reconcile the bank accounts. The District also hired a technology consultant who visits the District periodically to prepare bank reconciliations. The District employee clears checks on the system and prints reports that are used by the outside consultant. He would enter that information into a reconciliation report and would prepare entries to adjust the financial statement cash accounts so that the total would agree with the bank reconciliation. The consultant prepared reconciliations for the first three months of the fiscal year; however, these were not done until the middle of the fiscal year. He became ill and was unable to complete the reconciliations for the remainder of the year prior to the beginning of our fieldwork. Because the bank reconciliations were not balanced on a monthly basis, cash balances on the books were incorrect due to errors in posting and items not posted. The largest errors involved recording a portion of the federal tax deposit twice. These and other errors caused the cash to be understated on the books by approximately \$118,000 at the end of June, 2012.

Recommendation: District personnel or qualified outside consultants should reconcile bank statements on a monthly basis with all reconciling items investigated and adjusted.

Management's Response: The District's new Finance Officer will receive training and reconcile bank statements on a monthly basis.

**LIVINGSTON COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
For the Year Ended June 30, 2012**

II. FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

Significant Deficiencies, which are also Material Weaknesses (Continued):

2012-02. Audit Adjustments

Statement of Finding (Condition): Audit adjustments required were material both in amount and number.

Criteria: Generally accepted accounting principles require that all transactions of the District be recorded in the financial statements.

Cause and Effect: The District has relied on outside consultants and state personnel to assist in closing out the fiscal year. One consultant became ill and was unable to assist with closing procedures. Not all adjustments were made and some were made improperly. No accounts receivable were recorded. Accounts payable amounts were recorded to proper expenditure codes; however, the credit was posted to cash, instead of to accounts payable. Accrued sick leave was not recorded. Several revenues were coded to incorrect accounts. Improper entries made to the Capital Outlay and Building Funds caused incorrect amounts to be approved on capital spending requests.

Recommendation: All transactions of the District should be recorded in the District's general ledger. The new finance officer should receive training in procedures to close the fiscal year, even if outside consultants will be performing such procedures.

Management's Response: The District's new Finance Officer will receive training in procedures to close the fiscal year and will perform those duties at the appropriate time.

III. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no findings in the current year required to be reported in this section.

**LIVINGSTON COUNTY SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2012**

I. FINDINGS – FINANCIAL STATEMENT AUDIT

2011-01. Internal Controls

In the previous year, the auditor noted that the District did not have control over the preparation of the financial statements, including footnote disclosures, which would prevent or detect a misstatement in the financial statements. The independent auditor is not allowed to be a compensating control for the client. The auditor recommended that the District designate an individual who possesses suitable skill, knowledge, and/or experience to review the financial statements, including footnote disclosures, and take responsibility for the financial statements. The District responded that it was not feasible for the District to invest resources for a member of the financial accounting staff to obtain the training necessary to obtain the knowledge related to Financial Accounting Standards Board (FASB) and Governmental Accounting Standards Board (GASB) pronouncements and to remain current with this knowledge. Management did not consider the deficiency to be imperative to the daily internal control operations of the District. At the end of the current fiscal year, the District appointed a new finance officer, who is scheduled to attend a training session conducted by KASBO for new finance officers. The District has also contracted with a former finance officer from another district to assist with the finances and the financial statements.

2011-02. Cash

In the previous seven years, it has been noted in the findings that the bank reconciliations were not completed on a monthly basis and that large reconciling items were not investigated. The prior auditor again recommended that District personnel should reconcile bank statements on a monthly basis with all reconciling items traced to source. The District responded that personnel would comply with the recommendation. In the current year, an outside consultant was hired to prepare the bank reconciliations. In the middle of the fiscal year, he did prepare and reconcile the bank accounts to the financial statements for the first three months of the fiscal year. After that time, he became ill and was unable to work for a period of time. As noted in the current year findings, cash on the financial statements was understated by approximately \$118,000 at the time of the initial fieldwork. This is a repeat finding.

2011-03. Audit Adjustments

In the previous year, it was noted that audit adjustments required were material both in amount and number. It was recommended that all transactions of the District be recorded in the District's general ledger, including debt payments and correct recording of accounts payable, accounts receivable, and on-behalf payments. In the current year, the adjustments were again material in both number and amount, as noted in the current year findings. This is a repeat finding.

II. FINDINGS – MAJOR FEDERAL AWARDS PROGRAM AUDIT

There were no findings in the prior year required to be reported in this section.

MANAGEMENT LETTER POINTS

Kentucky State Committee for School District Audits
and Members of the Board of Education of
Livingston County School District
Smithland, Kentucky

I have audited the financial statements of the Livingston County School District for the year ended June 30, 2012, and have issued my report thereon dated November 5, 2012. In planning and performing my audit of the financial statements of Livingston County School District, I considered the District's internal control to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

However, during my audit, I became aware of several matters that are opportunities for strengthening internal controls or operating efficiency. These comments and recommendations have been discussed with the appropriate members of management and are intended to help the District comply with applicable laws and regulations, improve the internal control, or result in other operational efficiencies. These comments are summarized on the following pages.

This report is intended solely for the Board, management, and others within the organization as deemed appropriate.

Respectfully,

A handwritten signature in dark ink, appearing to read "Kim Glavin". The signature is written in a cursive, flowing style.

Benton, Kentucky
November 5, 2012

**LIVINGSTON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
June 30, 2012**

UNCORRECTED PRIOR YEAR COMMENTS

North Livingston Elementary

In the prior year, it was noted that monies collected were not deposited in a timely manner. As noted in the current year comments, we noted that nine of twenty-five receipts tested were not deposited in a timely manner. Our recommendation is included in the current year comments.

Livingston County High School

In the prior year, it was noted that multiple receipt forms were not properly prepared. As noted in the current year comments, multiple receipt forms were rarely included in the activity fund treasurer's files. She stated that the teachers use the forms, but do not always turn them in to her. Our recommendation is included in the current year comments.

CORRECTED PRIOR YEAR COMMENTS

Central Office

In the prior year, there was no indication that the bank statements were being reviewed by management prior to the reconciliation process. In the current year, bank statements were initialed by appropriate levels of management to indicate that it had been reviewed.

In the prior year, there was no indication that the bank reconciliations were reviewed and approved by the Superintendent. In the current year, the Superintendent had signed to indicate approval the three reconciliations that had been prepared; however, as noted in the current year findings, bank reconciliations were not prepared after September, 2011.

In the prior year, it was noted that blank checks were stored in unsecured locations. In the current year, the blank checks were kept in a locked cabinet accessible only to those with proper authorization.

In the prior year sample of cash disbursements, some invoices were not cancelled to denote payment, some standard invoices were approved, but purchase orders were not, some travel reimbursements were approved by the person being reimbursed, and signatures were stamped to indicate approval. In the current year, we noted compliance with proper procedures in these areas.

North Livingston Elementary

In the prior year, there was no indication that the bank statements were being reviewed by the principal prior to reconciliation of the account. In the current year, bank statements were initialed and dated by the principal to indicate approval. It was also noted that one disbursement amount did not agree with purchase order and invoice and that the invoice was not cancelled. In the current year, we noted that disbursement amounts agreed with supporting documentation and invoices were cancelled when paid.

South Livingston Elementary

In the prior year, there was no indication that the bank statements were being reviewed by the principal prior to reconciliation of the account. In the current year, bank statements were initialed and dated by the principal to indicate approval. It was also noted that invoices were not cancelled when paid. In the current year, we noted that invoices were cancelled when paid.

**LIVINGSTON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS**

June 30, 2012

CORRECTED PRIOR YEAR COMMENTS (Continued)

Livingston County Middle School

In the prior year, it was noted that invoices were not cancelled when paid. In the current year, we noted that invoices were cancelled when paid. It was also noted that ticket prices were not noted in applicable columns of Requisition and Report of Ticket Sales forms and the ticket taker did not sign the forms. In the current year sample of ticket sales forms, we noted compliance with proper procedures. Also in the prior audit, it was noted that the same person who opens the mail, receives cash, and writes receipts also reconciles deposit tickets. In the current year, we noted that an employee independent of cash receipts reconciles the deposit tickets. It was also noted in the prior year that money collected by teachers was not turned in on the day they received it. During our current year sample of cash receipts, it appears that money is turned in on a timely basis.

Livingston County High School

In the prior year, there was no indication that the bank statements were being reviewed by the principal prior to reconciliation of the account. In the current year, bank statements were initialed and dated by the principal to indicate approval. Also, ticket stubs were not attached to the Requisition and Report of Ticket Sales forms and ticket takers and ticket sellers did not initial or sign the forms. In the current year sample of ticket sales forms, we note compliance with proper procedures. It was also noted that lumber for athletic field grandstand repairs were paid through the activity fund instead of by the Board. We did not note any basic routine renovations or maintenance of school facilities that were paid by the activity funds in our test of disbursements. Also, purchase orders were not dated and there was no signature of the person requesting the purchase. In our current year test of disbursements, we noted adherence to proper procedures. Also in the prior year, it was noted that checks were made payable to cash for gate change money. In the current year, we noted that checks written for purpose of obtaining change for gates or concessions were made payable to the person responsible for the funds.

CURRENT YEAR COMMENTS

Payroll

In our test of payroll procedures, we noted in some instances, there was no paperwork in employee files to show the approval of the rate of pay for certain services. While certified personnel and some classified personnel are paid based on an approved pay schedule, some extra services and some positions are not on the approved lists. When an employee has other types of pay, we recommend using a form showing the rate of pay and the type of service, which should be signed by the person approving the pay and placed in the employee file.

Management's Response: The District will implement a form showing the rate of pay and type of service for the types of situations referred to. The form will be signed by the person approving the pay and kept in the employee file.

**LIVINGSTON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS - CONTINUED**

June 30, 2012

CURRENT YEAR COMMENTS (Continued)

Retirement System Payments

Retirement reports are now required to be filed online. The online report is often not printed to indicate the detail of amounts that were entered. In several months, the retirement system adjusted a previous report and showed either an overpayment or underpayment on the system, without explaining the details of the difference. We recommend that manual input sheets or printouts be retained in the file to show what was entered online. We also recommend contacting the retirement system to ask for details of amounts that were adjusted. Unless these explanations are obtained, it is unknown if amounts were withheld improperly or if the employer portion was calculated incorrectly.

Management's Response: The District will file printouts to show what was entered online. The District will also obtain the available online information explaining the reasons for adjustments.

Bids

In our comparison of the amount paid to the approved vendor for waste disposal, the contract amount appears to have been overpaid by approximately \$650. The bid proposal listed a total for the year only and did not list an amount per pick-up. It could not be determined if there was an extra service included on the bills or if the amount was billed incorrectly. We recommend comparing all invoices for bid items to determine that the amount charged is in agreement with the bid price.

Management's Response: Invoices for bid items/services will be monitored to ensure that the amount paid matches the bid price.

Travel Reimbursements

In our random test of disbursements, we noted three reimbursements for travel for which there was inadequate supporting documentation. One was not signed by the employee, another was not signed by the supervisor, and a third one was paid from a hotel receipt, without a travel voucher. We recommend that the Expense Reimbursement policy dated July 11, 2011 be followed, which states "No requests for travel reimbursement will be considered unless filed on the proper form and accompanied by the proper receipts".

Management's Response: Travel reimbursements will be handled in accordance with Board of Education policy 03.125 – "Expense Reimbursement".

Tax Revenues

In our test of tax revenues, we noted that several receipts were posted to an incorrect code and that the amount transferred to the SFPK Building Fund for the "nickel tax" was based on the tentative amount, instead of the final amount. We recommend that the finance officer review amounts for proper codes and for the correct amount to transfer to the Building Fund.

Management's Response: The final SEEK calculations worksheet/notice from the Kentucky Department of Education will be referenced to verify that the correct amount is transferred to the SFPK Building Fund for the "nickel tax".

**LIVINGSTON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS - CONTINUED**

June 30, 2012

CURRENT YEAR COMMENTS (Continued)

North Livingston Elementary School Activity Fund

Annual Financial Report

When we began the audit of the activity funds, the annual financial report was not available, since the ending balances were not in agreement with the bank reconciliation. We discovered that two checks were manually voided, but were not voided in the computer system. Another check had been voided in the computer, but had actually cleared the bank. A check written during June was not recorded in the computer. We provided the adjustments to the treasurer and she had someone assist in making adjustments for these items; however, when we received the annual financial report, the activity accounts grand total at June 30, 2012 was shown as \$15,339.44, the general ledger grand total was \$14,509.44, and the actual bank reconciliation as corrected was \$15,861.08. All three numbers should agree each month. We recommend that the computer system be adjusted so that all three numbers agree.

Management's Response: The computer system has been adjusted to reflect a correct balance of \$14,505.11 on September 30, 2012. In the future, checks voided will be voided in the computer system as well as manually. All checks written will be recorded in the computer system.

Deficit Balances

Three activity accounts ended the fiscal year with a deficit balance, which is not allowed per Red Book guidelines. We recommend that interfund transfers be authorized in the future so that no fund will end the year with a deficit balance.

Management's Response: Interfund transfers will be used in the future to prevent deficit balances, as per Red Book procedures.

Personal Use of Credit Cards

When we reviewed activity after year-end, a credit card payment was made in July for \$806.63. Included in that amount was a charge for \$31.39 that was noted as being a personal charge made accidentally by the principal that would be reimbursed; however there were no deposits made during July or August. We recommend that the Board finance officer follow up on this item and see that it has been or will be properly reimbursed to the activity fund.

Management's Response: The school was reimbursed \$31.39 by the principal. Records and a copy of this check are on file. This check was deposited on September 14, 2012. The District financial officer will complete an onsite follow-up to ensure that this deposit was recorded correctly. A copy of the check is in the September, 2012 receipts. The principal will also take extra efforts to separate the school credit card from his other cards when he checks out.

Untimely Cash Deposits

In a random test of 25 cash receipt tickets, we noted that nine were not deposited in a timely manner as required by Red Book guidelines. Deposits ranged from two days to fifteen days after receipt ticket date. When the total received is in excess of \$100, it should be deposited by the next business day.

Management's Response: When amounts received are in excess of \$100, deposits are now being made within 24 hours. It is the recommendation of the principal that a more convenient banking location be used so that timely deposits can be made. There are many situations (distance to the nearest branch office) that prevent the principal from taking the deposit to the bank during open hours.

**LIVINGSTON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS - CONTINUED**
June 30, 2012

CURRENT YEAR COMMENTS (Continued)

North Livingston Elementary School Activity Fund (Continued)

Unallowed Disbursement of Cash

In the same random test of cash receipt tickets, we noted two instances where multiple receipt forms listed more money than was deposited. On receipt ticket #2178, the multiple receipt form showed \$303.50. Another sheet was attached showing that \$5 was paid to 20 students listed on the form to use at McDonald's; therefore, only \$203.50 was deposited. On receipt ticket #2168, the multiple receipt form showed \$299.00. Another sheet was attached showing that \$5 was paid to 23 students to use for lunch; therefore, only \$184.00 was deposited. All funds received should be deposited intact and cash should not be used to pay for any item, except as allowed through the use of a petty cash fund or cash advance guidelines. When this was discussed with the treasurer, she stated that no cash was paid out, that the lunch amounts were charged to the credit card; however the multiple receipt forms and deposit amounts do indicate that less cash was deposited than received. If the lunch charges were on the school credit card, this should be investigated further. We recommend that the Board finance officer follow up on this item.

Management's Response: The principal has reviewed correct Red Book procedures with the teachers. In the future, all monies received from the students will be deposited intact and cash will not be used to pay for any items or given back to students to use. If students bring cash for lunch or miscellaneous items, it will not be collected by teachers. When the treasurer told the auditors that no cash was paid out and that the lunch amounts were charged to the credit card, she was in error. Records will indicate that lunch charges were not charged to the school credit card. The District financial officer will follow-up on this with the principal. We feel that the teachers only made multiple receipt forms to insure that they had received the money. It was the intention for students to be able to purchase their own lunches and the money not be turned into the office.

Disbursement Procedures

In a random test of 25 disbursements, we noted late fees and finance charges of \$76.62 included with check #2136 and \$5.00 with check #2158. Also, check #2140 was signed by the treasurer only. All disbursements should be made in a timely manner to avoid late fees and checks should be signed by both the treasurer and principal.

Management's Response: Checks will be written in a timely manner to avoid late or finance charges. All checks will be signed by both the treasurer and the principal.

Fundraiser Worksheets

In an effort to match potential collections from fundraisers with actual deposits, we were unable to agree amounts for two fundraisers for candy and kitchen/food items. This was partially due to cash receipt tickets being written for multiple items with no breakdown between sources. We recommend the use of a fundraiser worksheet, as well as detailing cash receipt tickets to breakdown receipts from various sources.

Management's Response: The activity fund treasurer has begun using the fundraiser worksheets and will detail receipts from various sources. Information received from Red Book training will help with future fundraisers and proper accounting procedures.

**LIVINGSTON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS - CONTINUED**

June 30, 2012

South Livingston Elementary School Activity Fund

Annual Financial Report

The activity accounts grand total is \$250 more than the general ledger grand total and the bank reconciliation. The general fund balance needs to be adjusted by subtracting \$250 from the ending balance.

Management's Response: Adjustments will be made on the computer system so that the activity accounts grand total will agree with the general ledger grand total and the bank reconciliation.

Standard Invoices

In a random sample of 25 disbursements, four were checks to students or parents as rewards from the pizza fundraiser. The payee did not sign the standard invoice. We recommend that standard invoices be properly signed prior to issuing the check.

Management's Response: The activity fund treasurer stated the checks were mailed to the parents and that this will not be done again.

Fundraiser Worksheets

When we made an effort to compare potential collections from fundraisers to actual deposits, the deposits for the Paragon fundraiser were approximately \$740 less than the total collections should have been. We recommend the use of the fundraiser worksheet so that explanations for any differences could be noted and amounts could be reconciled in a timely manner.

Management's Response: The activity fund treasurer stated that there were several returned checks that have been turned over for collection and that she would begin using the fundraiser worksheet.

Livingston County Middle School Activity Fund

Inventory Control Worksheets

When examining an inventory control worksheet, we noted that the deliveries were listed at cost instead of selling price; therefore the shortage or overage was not accurate and was not explained.

Management's Response: This was the first year that the bookkeeper used the inventory control worksheet. The auditor spoke to the bookkeeper and explained how the sheet should be filled out. The bookkeeper will fill out the form correctly in the future.

**LIVINGSTON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS - CONTINUED**
June 30, 2012

CURRENT YEAR COMMENTS (Continued)

Livingston Central High School Activity Fund

Interfund Transfer Forms

We did not locate any interfund transfer forms in the files. The current Red Book still requires the use of the forms to indicate approval by the remitting sponsor and the principal; therefore, we recommend the use of the form.

Management's Response: The activity fund treasurer stated that she had been informed that the forms were no longer required. She agreed to use the forms in the future.

Multiple Receipt Forms

In a random sample of 25 cash receipts, we noted that copies of multiple receipt forms were rarely included in the file. We recommend that a copy of the form be retained in the office to have better supporting documentation for cash received.

Management's Response: The activity fund treasurer stated that teachers do use the form, but do not turn in to her every time. She will request that the teachers continue to retain the form, but also supply a copy to her.

Supporting Documentation

In a random sample of 25 cash disbursements, we noted check #5081 was written for the amount of the purchase order, which was \$5 more than the actual invoice.

Management's Response: The activity fund treasurer stated this was an oversight and she will contact the company to see if a refund can be obtained.

Disbursement Procedures

Also in the test of disbursements, we noted on check #5224 written in payment of credit card charges, one charge was supported by a purchase order only and another included \$11.10 sales tax. There was also a total of \$17.66 of sales tax paid with check #5237. Late fees and finance charges of \$46.25 were paid with check #5355. We recommend that all tickets for credit card charges be matched to the statement prior to payment. We also recommend that teachers who do not follow proper procedures be responsible for the payment of sales tax that may be included on the tickets.

Management's Response: The activity fund treasurer stated that when she matches tickets to the statement, she puts a check mark next to the amount on the statement. Since the amount for the missing ticket had a check mark beside it, she feels it had been in the file, but may have fallen out. For the ones that included sales tax, she stated that a teacher had checked out the credit card and did not use the sales tax exempt number. She will remind anyone who uses the card to also use the exempt number when making purchases.

Inventory Control Worksheets

Inventory control worksheets were not prepared for concessions.

Management's Response: The activity fund treasurer stated that she has already attended a training session where these forms were discussed and they will be prepared in the coming school year.

**LIVINGSTON COUNTY SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS - CONTINUED**
June 30, 2012

CURRENT YEAR COMMENTS (Continued)

Livingston Central High School Activity Fund (Continued)

Budgets

Less than one-half of the activity fund sponsors prepared a budget. For the remainder of the funds, the prior year actual amounts were used for comparison purposes. The "Red Book" requires each club and organization to prepare a tentative budget of receipts and expenditures for the next school year. The budgets are due to the principal by April 15. The principal should prepare a budget for activity accounts for which there are no sponsors for SBDM approval. The principal shall then submit a combined budget form and attach individual activity fund budgets to the superintendent by May 15th. The superintendent submits this to the local board. Local board approval of school activity budgets and fund-raising activities should be complete by the end of May for the following year. The clubs and organizations shall submit final budgets within thirty days after the school year begins or within thirty days of the first transaction of the group.

Management's Response: Due to changes in staff and newly hired employees, all staff is not familiar with the Red Book procedures. Administration will make it a priority to instruct new employees on the Red Book procedures. Organizations (booster clubs) and administration will work together to establish budgets according to guidelines established by Red Book.